



March 2012

Managing Your Retired Pay Account

Delivering your pay accurately and on time every time is our top priority. To do that, we often rely on the information you provide us. But, few retirees fully grasp the ins and outs of their pay, and understandably so. Retirement, and all the things that come with it, can be confusing.

This issue of our quarterly newsletter will help you understand and manage your retirement pay.

It covers everything from the basics of how to keep your account up to date to more complicated topics, like the relationship between your VA pay and your retired pay. It also covers a subject many retirees ask when they begin to grow older: should I have a Power of Attorney?

Read on for these important topics and more.

[Back to the March Newsletter](#)

Come to our Facebook Town Hall!

[Facebook Town Hall](#)

[Back to the March Newsletter](#)

Use myPay Regularly to Manage Your Account

The most convenient way to manage your pay is through [myPay](#). It is the official online account management system for military members and retirees.

It's also the fastest and easiest way to keep your account current!

With **myPay** you can

- View, print or save your annual Retiree Account Statement
- View, print or save your monthly electronic Retiree Account Statement
- View, print or save your Combat-Related Special Compensation Statement
- Start, stop or change electronic allotments to financial institutions
- Change your mailing or e-mail address
- Make changes to your direct deposit information
- View, print or save your IRS Form 1099R
- Subscribe to the Retiree Newsletter

If you've never used **myPay**, or are having trouble getting into your account, try using our simple [login instructions](#).

[Back to the March Newsletter](#)

Keep Your Basic Information Up To Date

Keeping DFAS in the know about changes to your personal or banking information is critical. One misstep could result in missing monthly payments or important information we mail you throughout the year.

We recommend reviewing your retired pay account at least once a year to make sure your information is up to date. It might be useful to review a copy of your annual Retiree Account Statement (RAS) each December. You might even consider printing a copy of your most recent [monthly eRAS](#) from [myPay](#) every few months.

Below are a few examples of times you'll need to update your account information.

If You've Switched Banks or Opened a New Account

Your banking information is perhaps the most important thing to keep updated. The sooner you [update your direct deposit](#), the less likely your payment will go to the wrong place.

Make sure your payments are going to your new account before you close out your old account. It can take up to 30 days to process a direct deposit change request. Closing out your old account before we've updated your bank information can result in missing and returned payments.

If You Move to a New Home or Relocate Temporarily

You need to [update your mailing address](#) with us whenever it changes. Even if you are only going somewhere warmer for the winter, you should let us know. We are always mailing letters, account statements, and other important information you won't want to miss.

If You've Married, Divorced or Added to Your Family

Changes in the size of your family can affect several aspects of your retired pay account.

You should first [update your Arrears of Pay Beneficiary](#), the person who receives your final payment when you die.

If you chose the Survivor Benefit Plan (SBP) when you retired, you might also need to [update your SBP beneficiary](#). Life changing events often increase or decrease the amount of your SBP premium. You should send documentation such as divorce decrees, death certificates and marriage certificates to us as soon as possible. Late notification of a change in your life can result in debts to you or your family.

We also suggest reviewing your [Federal and State Income Tax Withholding](#) with a tax professional. We cannot help you choose a withholding amount or offer tax advice, but you may find that gaining or losing a family member will affect your tax liability.

Other Things to Consider

Take some time to look at your allotments every so often. You might find that you want to [start, stop or change the deduction](#) amount on one of them.

Also, take note of any allotments going to insurance companies, particularly when moving. If you forgot to give your insurance company or other potential allotment recipients your new address, they may continue to send important correspondence to your old address.

If you're a *myPay* user and your [email address changes](#), please be sure to update it in [myPay](#).

[Back to the March Newsletter](#)

How Department of Veterans Affairs Pay Affects Retired Pay

While DFAS and the Department of Veterans Affairs (VA) are separate agencies, we do work together. In many cases, a change in your VA pay will cause a change to your retired pay.

This is because federal law says retirees can't receive VA pay and retired pay at the same time. You have to waive your retired pay, dollar for dollar in order to receive VA pay. This is what we refer to as a "VA waiver."

As soon as you start receiving your VA pay, we start deducting the gross amount of your monthly VA pay from your monthly retired pay.

Here's an example:

Say you're receiving \$500 in retired pay each month. You decide to apply for VA compensation and you're approved for \$200 each month. The VA will notify us of the approval. Then we will adjust your retired pay like this:

500 Gross Retired Pay
- 200 VA Waiver
300 Net Retired Pay (before taxes and other deductions)

As you can see, with or without VA, your total take home pay comes out to \$500 a month. But the \$200 from the VA is tax-free. In most cases, [retired pay is taxable](#).

Once we begin deducting your VA waiver from your retired pay, anytime your VA rating changes your retired pay amount will change with it.

For instance, say you go back to the VA and get re-rated. They add some additional disabilities and your VA pay increases by \$100. You are now receiving \$300 a month from them. As soon as this change kicks in, the VA will report it to us. We will then adjust your retired pay like this:

500 Gross Retired Pay
- 300 VA Waiver
200 Net Retired Pay (before taxes and other deductions)

Again, your total take home pay for the month still comes out to \$500, but now more than half of that is non-taxable pay from the VA.

So what happens if your VA pay is higher than your retired pay? Your retired pay would be completely waived.

Maybe you're approved for \$600 from the VA each month and are only entitled for \$500 in retired pay.

500 Gross Retired Pay
- 600 VA Waiver
0 Net Retired Pay

At that point, we will stop sending you retired pay checks. If your VA compensation decreases, or your retired pay increases and exceeds your VA, you will begin receiving retired pay checks again.

It's complicated, but keep this in mind: Every dollar you receive from the VA **must** be deducted from your retired pay. If your VA increases, your retired pay will decrease and if your VA decreases, your retired pay will increase.

However, Congress has created two programs that provide eligible retirees with additional money each month. Keep reading to find out more about [Concurrent Retirement Disability Pay](#) and [Combat Related Special Compensation](#).

[Back to the March Newsletter](#)

How CRDP Works

When Congress approved Concurrent Retirement and Disability Pay (CRDP) in 2004, it was like music to the ears of some retirees with disabilities. Before 2004, the law prohibited receiving both military retired pay and VA compensation.

To get VA disability pay, disabled military retirees had to waive their military retirement pay dollar for dollar. CRDP is a restoration of retirement pay. It decreases your VA waiver so that we can pay more of the gross pay originally entitled to you.

Congress has changed a few things in the original CRDP legislation throughout the years, but overall the eligibility requirements in 2004 are the same today. You must:

- have 20 years of service or be retired under [Temporary Early Retirement Authority \(TERA\)](#)
- be receiving retired pay
- [be waiving your retired pay in order to receive VA disability payments](#)
- be rated 50% or higher by the VA
- have reached the appropriate retirement age if you are a reservist

Once you become eligible for CRDP, we'll automatically begin paying it to you. It's that easy! **There's no application process** like there is for [Combat Related Special Compensation](#) (CRSC). As soon as the VA notifies us you have been rated 50% or higher (and you fall in to one of the other categories listed above), **we'll adjust your retired pay check.**

Here's an example:

Let's say you're entitled to \$500 in retired pay, \$200 in VA pay and \$100 in CRDP. The equation we use to come up with your net retired pay would look like this:

$$\begin{array}{r} 500 \text{ Gross Retired Pay} \\ - \text{300 VA Waiver} \\ \hline 200 \text{ Net Retired Pay (before taxes and other deductions)} \\ \\ 200 \text{ Net Retired Pay} \\ + \text{100 CRDP} \\ \hline 300 \text{ Monthly Check from DFAS (before taxes and other deductions)} \end{array}$$

The formula for calculating your CRDP entitlement is complicated and requires detailed explanation. We used whole numbers in the above equation to make the relationship between your retired pay, VA pay and CRDP as clear as possible.

Use the [Retirement Disability Pay Estimator](#) for more information about how CRDP is calculated.

Now that we have the basics down, you need know a few other things about CRDP.

- CRDP is taxable if your retired pay is taxable, and vice versa
- You cannot receive CRDP and Combat Related Special Compensation (CRSC) at the same time
- CRDP is subject to former spouse deductions, garnishments and government debt repayment

For more about the CRDP eligibility requirements, visit [our CRDP web page](#).

[Back to the March Newsletter](#)

CRSC: What You Need to Know

Do you get monthly payments from the Department of Veterans Affairs (VA)? Are you thinking about applying or reapplying for [Combat Related Special Compensation](#) (CRSC)? Is this the first time you've ever heard the word CRSC?

If you answered yes to any of those questions, then you should start familiarizing yourself with CRSC.

Most retirees know the basics:

- CRSC is an acronym for Combat Related Special Compensation
- You must have combat related disabilities to get CRSC
- You need to [apply for CRSC](#) through your branch of service
- You might get more money from DFAS if you're approved for CRSC

But there's a lot more to CRSC than four bullet points!

You have to apply for CRSC through your branch of service. They are responsible for reviewing and approving your case. But before you apply, you need to find documents that prove one of your disabilities is not only **service connected**, but also **combat related**.

What do **service connected** and **combat related** mean?

Service-connected disabilities are disabilities that resulted from injuries or an illness you had while in the military.

The VA determines which of your injuries or disabilities are **service connected**. This is why you need a VA rating before you can apply for CRSC. Disabilities caused by alcohol or drug usage are specifically excluded.

There is also a category of disabilities the VA calls "presumptive." They assume that these diseases are service connected because of their connection to instruments of war. For example, certain types of cancers and heart disease are now associated with Agent Orange.

Now let's talk about **combat-related** disabilities. These are injuries you incurred while in a combat situation. They are generally the result of one of the following:

- Training that simulates war (for example: exercises, field training)
- Hazardous duty (for example: flight, diving, parachute duty)
- An instrumentality of war (for example: combat vehicles, weapons, Agent Orange)
- Armed conflict (for example: gunshot wounds [Purple Heart], punji stick injuries)

Your branch of service decides whether or not your service-connected disabilities are combat related. Your branch might also approve some presumptive service-connected disabilities as combat related.

VA rating decisions can help you determine which disabilities might be eligible for approval. When you start putting together your supporting documents, consider including a copy of your most recent VA rating.

You branch of service can only approve disabilities that are clearly documented as combat related. For more information about what to include in your application, visit your branch's website:

- Army: www.hrc.army.mil/tagd/crsc
- Air Force: <http://www.retirees.af.mil/>
- Navy/Marine: www.donhq.navy.mil/corb/CRSCB/combatrelated.htm

Make sure you give them plenty to go on. But keep in mind, quality over quantity. Just because you send them 100 pages of documents doesn't mean you will get approved. If you are eligible, one good document might be all you need!

[Back to the March Newsletter](#)

Power of Attorney: What is it and who should have one?

As they become older, many retirees and annuitants choose to have a loved one handle their account. The two ways to do this are to appoint a Power of Attorney (POA), or in severe cases, have a court appoint a guardian or trustee.

A POA can be useful for retirees and annuitants who are having trouble managing their accounts. However, it's important to know what a POA can and can't do.

Many states let a POA handle another person's finances regardless of that person's competency. These state laws often conflict with federal laws. Retired and annuitant pay fall under federal law, which takes priority over state law.

A POA **can't** make pay related changes for a retiree or annuitant. They **can** help with non-pay related issues. These include:

- [Mailing address changes](#)
- [Requesting account statements](#)
- [Requesting 1099R forms](#)
- [Completing reports of existence](#)
- [Completing and signing annuity applications](#)
- Requesting copies of documents
- Requesting information protected by the Privacy Act of 1974

We can't legally help a POA with any of the above requests without a copy of the POA document. To make sure your POA doesn't run in to any roadblocks, you should [provide us with a copy](#) as soon as possible.

If you need a loved one to make all of the above changes as well as pay-related changes to your account, you will need to have a court-appointed guardian or trustee established. The courts will appoint a guardian or trustee if you are deemed incompetent and unable to manage your own finances.

Before we can legally make changes requested by a guardian or trustee, we need a certified copy of your court order. It must include:

- the seal of the court
- and the name of the appointed trustee.

If you are an annuitant receiving Survivor Benefit Plan payments, and you don't want to go through the courts, you can complete a [Representative Payee Application](#). In addition to the application, you must include a signed physician statement.

As with a POA, you or your guardian should [send us a copy](#) of the court order or your Representative Payee Application as soon as possible. This will ensure that we are able to help your guardian or trustee without any delay.

[Back to the March Newsletter](#)